

WELLPINIT SCHOOL DISTRICT No. 49
Stevens County, Washington
September 1, 1991 Through August 31, 1992

Schedule Of Findings

1. The District Should Claim Only Eligible Students On Its Public Law 81-874 (Impact Aid) Application

The district claimed more students than were eligible in its fiscal year 1991-92 Public Law 81-874 (Impact Aid) application to the Department of Education (DOEd). Handicapped (SPED) students were counted twice, resulting in an overpayment of \$15,128. Non-special education preschool students were included in the count of preschool handicapped children, resulting in an overpayment of \$31,693.

The application error was discovered by a DOEd auditor during an April 1992 visit to the district. DOEd billed the district \$15,128 and reduced the fiscal year 1992-93 award by \$31,693 to compensate for the overfunding caused by these errors.

The fiscal year 1991-92 application was prepared by the comptroller, reviewed by the superintendent, and approved by the board of directors. However, this review process failed to detect the errors in the application.

We recommend the district strengthen the grant review process and initiate controls to assure accurate preparation of Federal reports.

2. The District Should Comply With All Statutory Requirements When Issuing Payments Prior To Approval By The Board Of Directors

During fiscal year 1991-92, the superintendent initiated 11 transactions (manual warrants) valued at \$206,614.54 in a manner that circumvented mandated statutory controls. These transactions were not approved by the board of directors, were not prepared on a form and in the manner prescribed by the State Auditor's Office, had not been audited or certified as required, and were paid by the county treasurer without appropriate written authorization.

The following statutes contain criteria which must be adhered to if a school district elects to issue warrants without prior legislative approval:

- a. RCW 42.24.180 requires the legislative body to provide for its review and approval of documentation supporting all claims paid. This documentation must be provided at the next regularly scheduled meeting of the board of directors.
- b. RCW 42.24.080 requires that claims submitted for payment be prepared on a form and in a manner provided by the State Auditor's Office. Furthermore, the district's appointed (internal) auditor must certify and authenticate the validity of each claim prior to payment.
- c. RCW 28A.330.230 requires that authorization provided the county treasurer for the payment of claims be a written order signed by the chairman of the board of directors.

Failure to follow the provisions of the statutes cited above deprives the elected board of directors of their statutory obligation to approve the payment of all claims; and failure to apply prescribed statutory controls places the district's assets at risk. We consider this to be a reportable condition.

Wellpinit School District has a small administrative staff. As a result, separation of duties and responsibilities and adherence to established internal control procedures may be sacrificed if senior managers are committed to outcomes. In this situation, staff turnover diluted management's understanding of mandated controls, resulting in noncompliance with statutory procedures while promptly paying all vendors.

We recommend the superintendent and comptroller cease preparing and issuing warrants without the approval of the board of directors. We also recommend the district comply with statutory provisions regarding the preparation, auditing, and certification of claims. We further recommend the board of directors rescind the authority for payment of claims prior to board approval unless adequate controls are established to ensure that the district has complied with all statutory requirements.